

## Message Text

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E.O.11652: GDS

TAGS: ECON EAID EFIN MASS MPOL ET US

SUBJ: POSSIBILITY OF DISCUSSIONS WITH EPMG REGARDING

ECONOMIC IMPACT OF MILITARY PROCUREMENT

REF: ADDIS 1181

1. OWING TO THE MAJOR IMPACT THE EPMG'S MILITARY PROCUREMENT PLANS ARE LIKELY TO HAVE ON THE ETHIOPIAN ECONOMY, WE SUGGEST THAT CONSIDERATION BE GIVEN TO SHARING OUR ECONOMIC ANALYSIS (SEE REF) IN SUITABLE FORM WITH THE EPMG. THE KIND OF PRESENTATION WE HAVE IN MIND WOULD BE STRICTLY ECONOMIC IN NATURE WITH NO COMMENTS WHATSOEVER REGARDING WHAT THE EPMG OUGHT TO DO. WE FAVOR THIS APPROACH BECAUSE THERE IS LITTLE EVIDENCE THUS FAR THAT THE EPMG HAS GIVEN SERIOUS THOUGHT TO THE LONGER RUN ECONOMIC IMPLICATIONS OF ITS PROPOSED MILITARY PROCUREMENT. IN VIEW OF OUR FRIENDLY RELATIONS WITH ETHIOPIA, OUR ROLE AS ITS ARMS SUPPLIER AND THE LIKELIHOOD THAT WE WILL BE HELD RESPONSIBLE, AT LEAST IN PART, IF ETHIOPIA BECOMES OVER-EXTENDED ECONOMICALLY AS A RESULT OF A TOO AMBITIOUS MILITARY PROCUREMENT PROGRAM, IT WOULD APPEAR IN OUR INTEREST TO DRAW THE EPMG'S ATTENTION TO THE ECONOMIC DIMENSIONS OF ITS MILITARY PROCUREMENT PLANS.

2. ASSUMING THAT WE DO WISH TO SHARE OUR ANALYSIS WITH THE EPMG, THE NEXT QUESTION IS HOW IT SHOULD BE DONE. ON THE AMERICAN SIDE SEVERAL POSSIBILITIES SHOULD BE CONSIDERED. IF WE WISH TO KEEP THE DISCUSSION AT A STRICTLY TECHNICAL LEVEL, CONFIDENTIAL

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THEN THE ECONOMIC COUNSELOR COULD CONVEY OUR FINDINGS TO

APPROPRIATE OFFICIALS IN THE EPMG. IF, ON THE OTHER HAND, WE WISH TO GIVE OUR FINDINGS GREATER IMPORTANCE, THE AMBASSADOR MIGHT TAKE THIS MATTER UP SHORTLY AFTER HIS ARRIVAL. A THIRD POSSIBILITY WOULD BE FOR THE AMBASSADOR TO SUGGEST TO THE FOREIGN MINISTRY THAT ECONOMIC EXPERTS FROM EPMG AND THE EMBASSY GET TOGETHER FOR A DISCUSSION OF THIS SUBJECT.

3. WITH RESPECT TO WHOM WE SHOULD DISCUSS THIS WITH IN THE EPMG, SEVERAL ALTERNATIVES ARE AVAILABLE. WE COULD TALK WITH THE FOREIGN MINISTRY, THE FINANCE MINISTRY, THE DEFENSE MINISTRY, A COMBINATION OF THE FOREGOING, OR WITH THE ECONOMIC COMMITTEE OF THE DIRG. CONSIDERING THE ALTERNATIVES, THE ECONOMIC COMMITTEE OF THE DIRG WOULD BE THE LOGICAL CHOICE IF WE WANT TO BE SURE THAT OUR VIEWS GET TO THE REAL DECISION-MAKERS. THE OTHER ALTERNATIVES ARE CLEARLY SECOND BEST. THE MOD, WHILE ABLE TO GRASP OUR PRESENTATION, IS PRIMARILY CONCERNED ABOUT THE MILITARY CAPACITY OF ITS ARMED FORCES AND ONLY SECONDARILY ABOUT THE ECONOMIC IMPACT OF ITS PROGRAMS. THE MINISTRY OF FOREIGN AFFAIRS CAN BE REGARDED AS LITTLE MORE THAN A MAILBOX FOR THIS TYPE OF COMMUNICATION AND THE MINISTRY OF FINANCE, AS FAR AS WE CAN JUDGE, IS INEFFECTUAL WHEN IT COMES TO DECISIONS OF THIS IMPORTANCE.

4. WE WOULD APPRECIATE DEPARTMENT VIEWS ON THE FOREGOING AS SOON AS POSSIBLE BECAUSE THE EPMG'S APPETITE FOR MILITARY HARDWARE SEEMS TO BE GROWING RAPIDLY. WE BELIEVE WE SHOULD TRY TO MAKE SURE THAT EPMG DECISION MAKERS ARE FULLY COGNIZANT OF THE ECONOMIC IMPLICATIONS ASSOCIATED WITH MILITARY PROCUREMENT OF THE MAGNITUDE THEY ARE CONSIDERING BEFORE THEY--OR WE--BECOME OVERLY COMMITTED.

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